

FINANCIAL TRENDS IN WASHINGTON STATE CHARTERED CREDIT UNIONS

Financial Data as of December 31, 2000

HIGHLIGHTS

This report summarizes the trends of all ninety-eight state chartered credit unions in Washington, which reported as of December 31, 2000. Unless otherwise noted the change period for the financial ratios and/or financial statistics is from December 31, 1999 to December 31, 2000.

Key financial indicators are listed below:

- **Assets** increased \$716 million or 6.27%. Assets are \$12.13 million.
- **Investments** decreased \$473 million or 13.6%. Investments are \$3 billion.
- **Loans** increased \$1.01 billion or 13.38%. Loans are \$8.54 billion.
- **Delinquent loan** dollars increased \$1.56 million or 3.05%. Delinquent loans as a percentage of total loans declined from 0.68% to 0.62%.
- **Net charge-offs** increased \$1.38 million or 3.48%. The net charge-off to average loan ratio declined from 0.56% for the 12 months ending December 31, 1999 to 0.51% for the twelve months ending December 31, 2000.
- **Shares** increased \$616 million or 6.43%. Because shares grew at a slower rate than loans, the loan to share ratio increased to 83.7% compared to 78.6%.
- **New worth** increased 8.1%, or \$90 million, and the net worth to assets ratio increased from 9.74% to 9.90%.
- **Profitability** - Net income decreased \$5.4 million or -5.99 percent. ROAA declined from 0.82% for the 12 months ending December 31, 1999 to 0.72% for the twelve months ending December 31, 2001.
- **Operating Expenses** increased from 42.25% of gross income and 3.40% of average assets for the 12 months ending December 31, 1999 compared to 42.44% of gross income and 3.46% of average assets for the twelve months ending December 31, 2000.
- **Gross Income and Cost of Funds** – Gross income increased from 7.92% of average assets to 8.16% of average assets, and the cost of funds to average assets increased from 3.35% to 3.58%.

Asset Trends: Total assets increased 716 million or 6.27%.

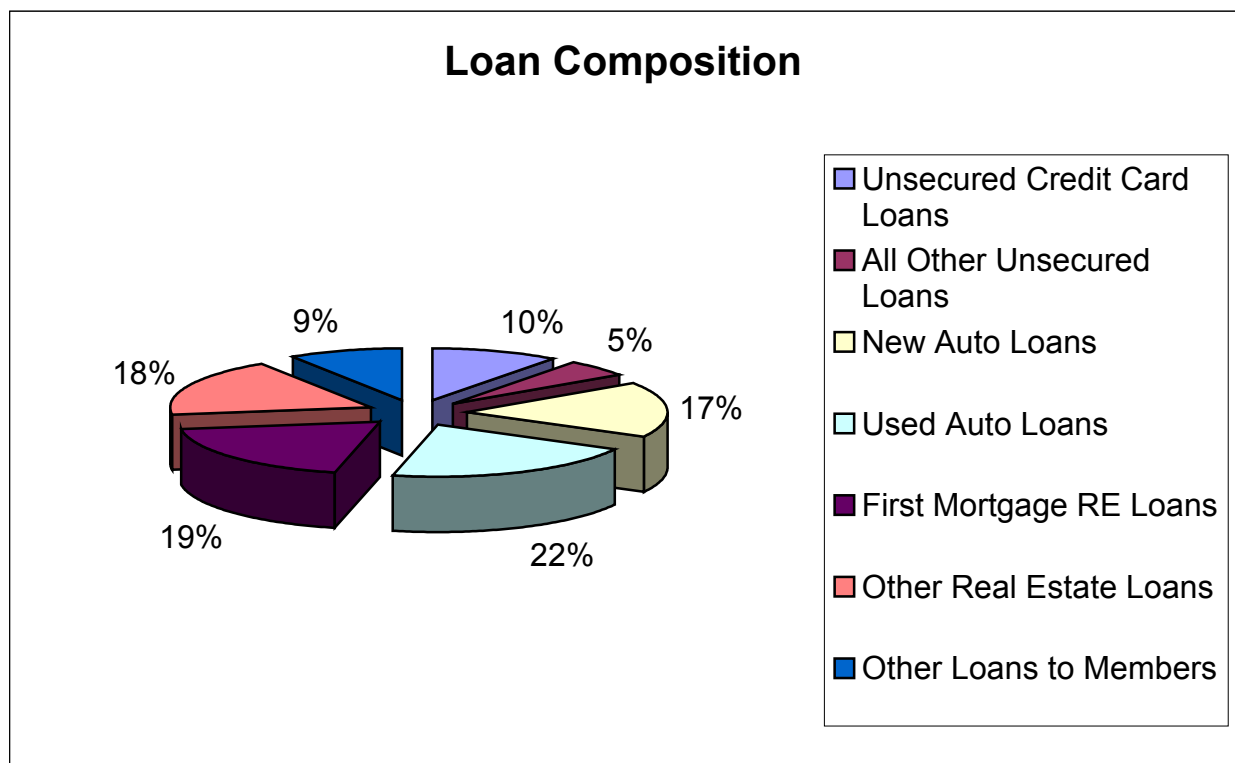
- Loans increased \$1.01 billion or 13.38%. Loans are 70.36% of total assets.
- Investments decreased \$473 million or 13.6%. Investments are 24.75% of total assets.
- Fixed assets increased \$16.5 million or 6.17%. Fixed assets are 2.34% of total assets.
- Other assets increased \$27.9 million or 23.44%. Other assets are 1.21% of total assets.
- The Allowance for Loan & Lease Losses (ALLL) increased \$8.4 million or 13.57%. The aggregate ALLL balance equals 0.58% of total assets, 133.31% of delinquent loans and 170.74% of net charge-offs. These ALLL ratios were up from the previous yearend.
- As of December 31, 2000 cash plus cash equivalents plus short-term investments less than one year divided by total assets is 21.31 percent.

Asset Growth

<u>CU Asset Size</u>	<u>1/98 to 12/98</u>	<u>1/99 to 12/99</u>	<u>1/00 to 12/00</u>
Over \$500 mil.	20.40%	11.06%	5.86%
\$100m to \$500m	13.79%	5.42%	6.95%
\$20m to \$100m	10.72%	3.05%	5.48%
\$0m to \$20m	8.84%	3.19%	3.06%

Loan Trends: Total loans increased \$1.01 billion or 13.38% during the twelve month period ending December 31, 2001. Because total loans increased faster than total assets, the total loans to total assets ratio increased from 65.95% as of December 31, 1999 to 70.36% as of December 31, 2000.

- Unsecured credit cards increased \$60 million or 7.34%.
- All other unsecured loans increased \$39 million or 9.56%.
- New auto loans increased \$160 million or 12.22%.
- Used auto loans increased \$162 million or 9.98%.
- First mortgage real estate loans increased \$216 million or 15.3%.
- Other real estate loans increased \$239 million or 18.35%.
- Other Loans to members increased \$132 million or 20%.
- Fixed rate first mortgage real estate loans increased \$45 million or 3.89%, fixed rate first mortgage loans comprise 73.8% of all first mortgage real estate loans.
- The average yield on loans increased from 8.37% to 8.56%.



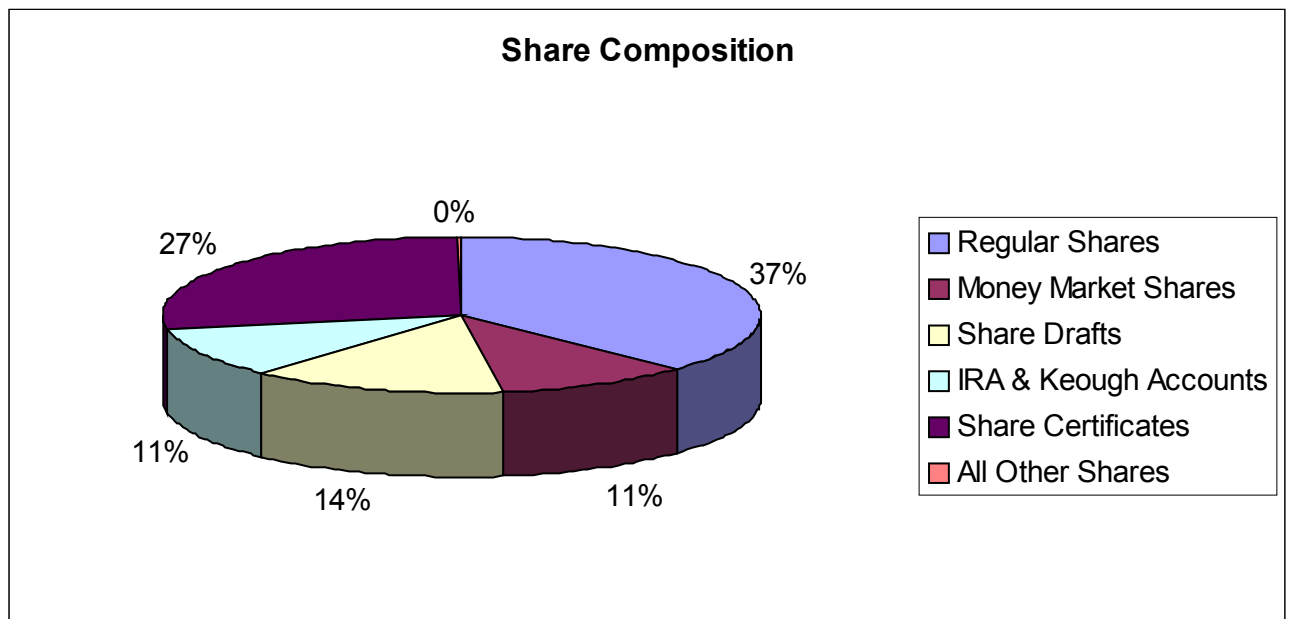
Delinquent Loan Trends: Total delinquent loan dollars increased \$1.56 million to \$52.64 million. Because total loans increased faster than delinquent loans, the delinquent loans to total loans ratio decreased from 0.68% to 0.62%.

Net Charge-off Trends: Total net charge-offs increased \$1.38 million to \$41.1 million. Because average loans increased faster than net charge-offs, the net charged-off loans to average loan ratio declined from 0.56% for the 12 months ending December 31, 1999 to 0.51% of average loans for the twelve months ending December 31, 2000.

Bankruptcy Trends: Total bankruptcy loans increased \$9.93 million to \$40.57 million. This is a 32.4 percent increase over the previous yearend. Bankruptcy loans as a percent of delinquent loans increased from 59.99% as of December 31, 1999 to 77.08% as of December 31, 2000.

Share Trends: Shares increased \$616 million or 6.43% and total \$10.2 million. Because loans grew at a faster rate than shares, the loan to share ratio increased to 83.7% from 78.6% as of the prior yearend.

- Regular shares and deposits decreased \$104 million or -2.65%.
- Money market shares decreased \$8.6 million or -0.8%.
- Share drafts increased \$139 million or 10.8%.
- IRA & Keogh accounts increased \$25 million or 2.36%.
- Share certificates increased \$561 million or 25%.
- All other shares (non-member) increased \$3.9 million or 22.9%.
- The cost of funds to average assets ratio increased from 3.40% to 3.58%.



Capital Trends: Net worth increased 8.1% or \$90 million, and the net worth to assets ratio increased from 9.74% to 9.90%.

Net Worth/Total Assets (as of 12/31/00)

<u>CU Asset Size</u>	<u>12/31/00</u>
Over \$500 mil.	8.31%
\$100m to \$500m	10.63%
\$20m to \$100m	11.80%
\$0m to \$20m	11.75%

Profitability Trends: The Return on Average Assets (ROAA) declined from 0.82% for the 12 months ending December 31, 1999 to 0.72% for the twelve months ending December 31, 2000.

ROAA Growth

<u>CU Asset Size</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Over \$500 mil.	0.83%	0.96%	0.79%	0.64%	0.52%
\$100m to \$500m	1.07%	1.04%	0.95%	0.95%	0.78%
\$20m to \$100m	1.11%	1.00%	0.88%	0.80%	0.86%
\$0m to \$20m	0.98%	0.89%	0.76%	0.72%	0.92%

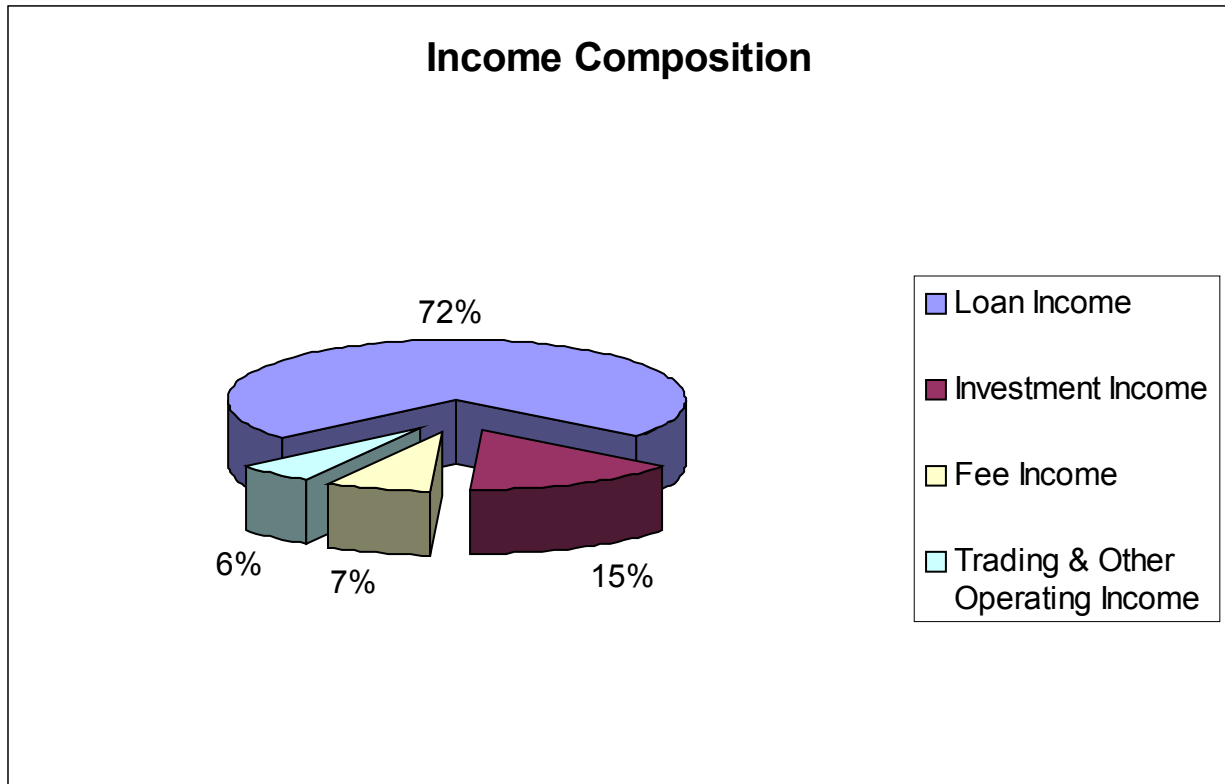
Note: These yearly ROAA growth percentages are for the periods ending December 31st.

Ratio	As of 12/31/99	As of 12/31/00	Effect on ROAA
Gross Income	7.92%	8.16%	+24 bp
Cost of Funds	3.35%	3.58%	-23 bp
Operating Expenses	3.40%	3.46%	-06 bp
PLL	0.38%	0.42%	-4 bp
ROAA	0.79%	0.70%	-9 bp

Note: Rounding errors have caused small differences in the percentages.

Income Trends: Gross income increased \$86.42 million to \$961.29 million. This is a 9.88% increase. Because gross income increased faster than average assets, the gross income to average assets ratio increased from 7.92% to 8.16%.

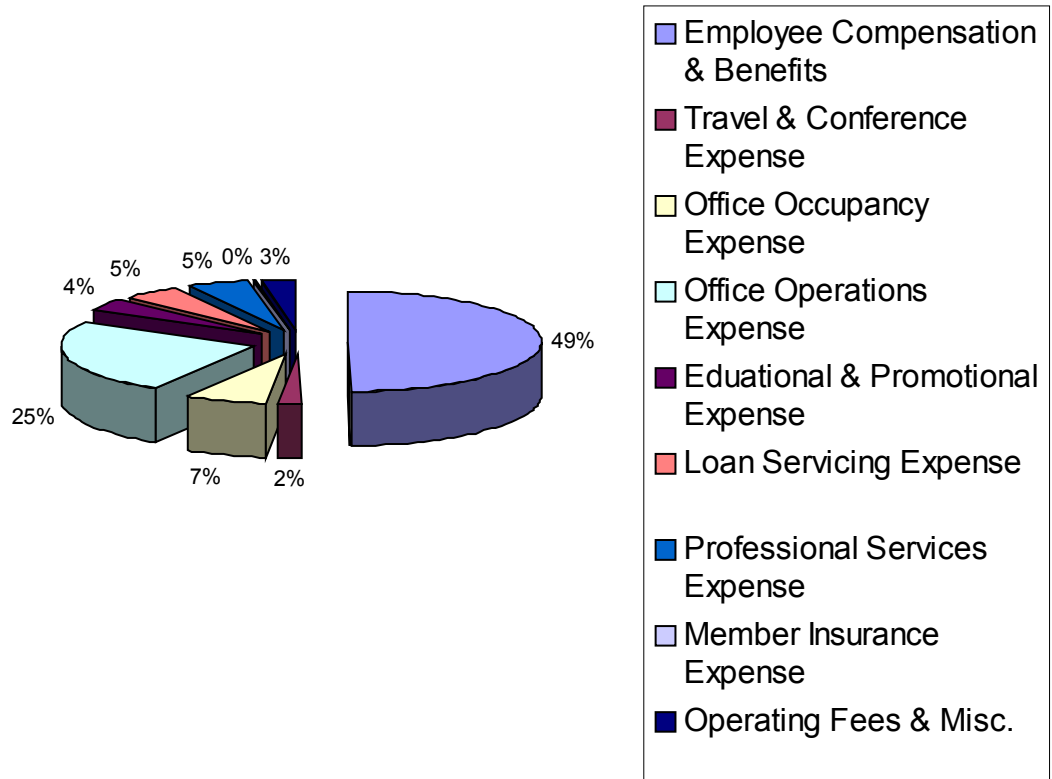
- Loan income increased \$92.19 million or 15.48%.
- Investment income decreased \$19.37 million or -11.49%.
- Fee income increased \$5.1 million or 7.67%.
- Trading and other operating income increased \$8.5 million or 9.88%.



Expense Trends: Operating expenses increased \$38.4 million to \$408 million or 10.38%. Because operating expenses increased faster than gross income and average assets, the operating expenses increased from 42.25% of gross income and 3.35% of average assets for the 12 months ending December 31, 1999 compared to 42.44% of gross income and 3.46% of average assets for the twelve months ending December 31, 2001.

- Employee compensation increased \$21 million or 11.53%.
- Travel and conference expense increased \$1.1 million or 16.27%.
- Office occupancy expense increased \$2.9 million or 11.88%.
- Office operations expense increased \$9.7 million or 10.7%.
- Educational and promotional expense didn't change.
- Loan servicing expense increased \$355 thousand or 1.75%.
- Professional services expense increased \$1.8 million or 9.54%.
- Member insurance expense didn't change.
- Operating fees and miscellaneous expense increased \$1.5 million or 14.76%.

Expenses



- ❖ Report prepared by Doug Lacy-Roberts on May 24, 2001.
- ❖ Report was generated from the Callahan & Associates Peer-to-Peer Database for data prior to July 1, 2000, and from a download of 5300 data done by Sue Graham for the December 31, 2000 cycle.